



MONTANA LEGISLATIVE BRANCH

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DATE: March 1, 2006

TO: Members of the Legislative Finance Committee

FROM: Catherine Duncan
Senior Fiscal Analyst

RE: Montana Historical Society Building Project

REVISED

The purpose of this memorandum is to provide an update on the Montana Historical Society Building project. The 2005 Legislature approved an appropriation of \$7.5 million of general obligation bond funds (HB 540) and provided the authority for the use of up to \$30 million in donations and grants (HB 5) for a new "Montana Historical Society Building".

The Montana Historic Society (MHS) came before the Appropriation Subcommittee on Long-Range Planning for several biennia to make their needs and desires for a new facility known. According to MHS, their current building is stretched beyond capacity and lacks adequate space for the museum and other MHS needs.

In the fall of 2004, the owners of Helena's Capitol Hill Mall approached the MHS regarding availability of the mall property. Realizing the advantages of moving their operations into an existing facility that offered close proximity to the capitol complex, the MHS informed the 2005 Legislature of the offer. The 59th Legislature agreed that the purchase would be beneficial and amended HB 540 and HB 5 to include the appropriation and authorization for the project.

As in the case of any real estate transaction, there is much work to be done before an offer can be made. Any offer for purchase of the mall properties is contingent on the acceptable results of all due diligence analysis including a land survey, title report, environmental site assessment, hazardous materials survey, structural analysis, roof inspection, mechanical and electrical systems analysis, architectural analysis, civil engineering analysis, and appraisals. At this time, all the components are completed except the appraisals. The assessments that have been completed show only those types of deficiencies that are expected in a building of the same type and age. Specific questions about the results of the assessments may be directed to personnel of the Architecture and Engineering Division (A&E).

Obtaining the appraisals on the mall properties has taken more time than expected. The sale of the mall property required two independent appraisals, one by the state and one by the current mall owners (CHM). The delay in completion of the appraisals has been due to a greater than anticipated amount of time required to gather essential data pertaining to the financial aspects of current operations at the mall. At this time, the A&E anticipates receipt of the state appraisal by mid-March of 2006.

Following receipt of the appraisal, both parties will have full access to all due diligence reports. Before negotiations begin both parties must mutually agree to proceed. If the appraisals differ substantially, the parties may mutually decide to jointly pay for the services of a third independent appraisal. Upon full review of all appraisals, the parties must agree that it is in their best interests to enter negotiations for the purchase price of the property. If at any time either party believes the purchase/sale to be outside of their best interest, there is no obligation to proceed to negotiation.

To date, fundraising efforts for the Montana Historic Society Building have garnered only “unofficial commitments” of donations for the project. Firm commitments will not materialize until the state is closer to executing a purchase of the property.

The purchase of the mall property is still uncertain. As further developments occur and at the pleasure of the Legislative Finance Committee, staff will continue to update the committee on the progress of Montana Historical Society Building project.

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